THE UBERIZATION OF FINANCE: INVESTING IN NON-BANK BANKS

Shinnecock Partners

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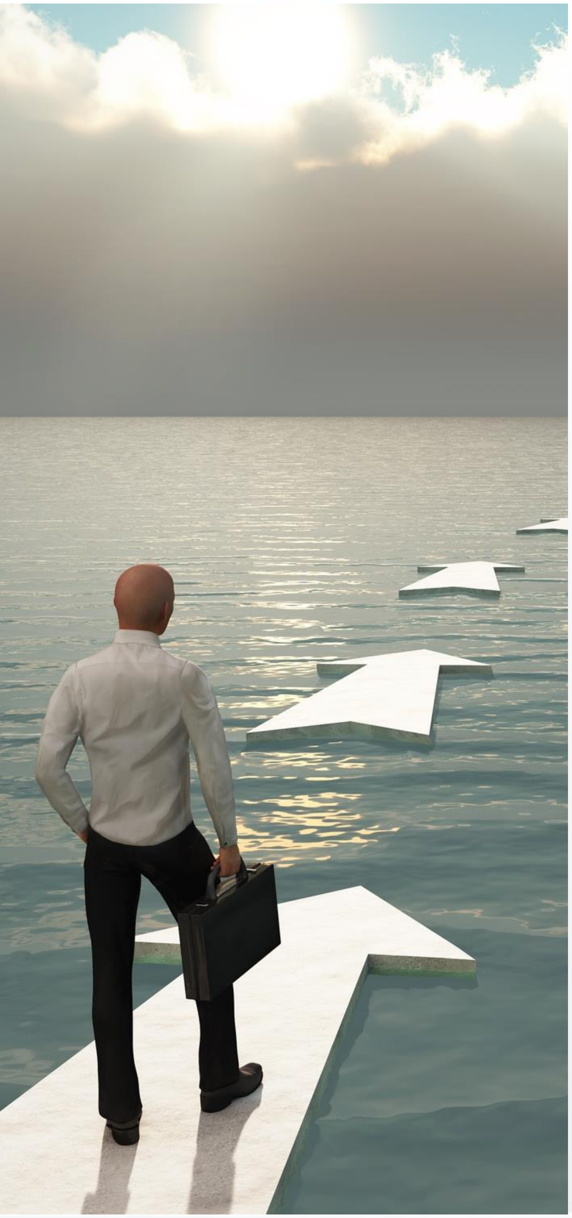
Is the Search for Yield an Impossible Quest?

- **Investors gave us these search criteria:**
  - Compelling yield now
  - Protection from the unexpected
  - Liquidity
  - Low correlation
  - Portfolio complement
  - Cash income
  - Quality controls
  - Simple
- **Are we Don Quixote in a Zero Interest Rate Environment?**

Pilgrims on the Quest for Yield



- **The Journey:**
  - Endless due diligence, evaluations, and quantitative analysis led in circles
  - After years of investing in the “non-bank” lending space, a.k.a shadow banks, we finally connected the dots!
- **Our Epiphany:**
  - Let investors earn the spread bankers have traditionally received
  - Create a diversified portfolio of yield-generating niche alternatives across multiple strategy segments

Model Portfolio
Uniquely Achieving the Criteria

- **Almost too good to be true**
  - **Attractive returns:** 8% - 10% (pro forma)
  - **Short duration:** under two years
  - **Downside protection:** 8x return buffer over current write-off expectations
  - **Quarterly liquidity**
  - **Low correlation from unique investments**
  - **Multi-asset diversification**
    - Five strategy segments
    - Ten discrete allocations to sub-manager domain experts
  - **Cash income**

Please see important disclosures beginning at page 40 of this presentation

Model Portfolio: Comparative Advantage

Investment Type	Yield	Rising Rate Protection	Downside Protection	Liquidity	Correlation to Market	Volatility	Transaction Costs
Model Portfolio	**High**	**Yes**	**Yes**	**Moderate**	**Low**	**Low**	**Low**
High-Yield Bonds	High	No	Moderate	Moderate	Moderate	Moderate	Moderate
Dividend Stocks	Low	No	Moderate	High	High	Moderate	Low
REITs	Moderate	Maybe	No	High	Moderate	High	Low
MLPs	High	No	No	High	Moderate	High	Low
Closed-end Bond Fund	High	No	No	High	Low	High	Low
BDCs	High	No	No	High	Moderate	High	Low
SBA Loans	High	No	Moderate	Low	Low	Moderate	Moderate
Yield Co's	Moderate	Maybe	No	Moderate	Low	High	Moderate
Income Property	Moderate	Maybe	No	Low	Low	Low	High

Additional Considerations:

- Investment time horizon; the relative importance of each characteristic is investor determined. This chart is meant to be a generalized view.

Alternative Lenders, Non-Bank Banks and Shadow Banks All Mean the Same Attractive Thing!

- **$51 trillion rapidly growing global market serviced by "non-bank" financial institutions***
- **Traditional lenders hamstrung by bloated bureaucracies, dated technology, restrictive regulation and need to repair balance sheets**
- **Alternative lenders as distinguished from traditional banks:**
  - Do not accept deposits
  - Act as intermediaries, pooling loans
  - Provide a conduit between investors and borrowers
  - Enjoy a substantial cost advantage
  - Usually specialize in a particular niche

*Financial Stability Board Report 2013

Alternative Lenders are the Disruptors

- **Disrupting the market through:**
  - **New Technology:** "big data" analytics level the playing field, improving lenders' ability to evaluate credit
  - **Streamlined Organizations**: allow lenders to offer loans at lower rates than traditional players
  - **Efficient Customer Acquisition:** new media channels enable lenders to source borrowers at lower costs
- **JPMorgan Chase CEO Jamie Dimon famously said:**

"Silicon Valley is coming"*

*JPMorgan Chase & Co. 2014 Annual Report

Respected Third-Party Validation*

Goldman Sachs: Alternative lenders are "the future of finance"

Financial Stability Board: Broad global reach

Morgan Stanley: 51% CAGR through 2020

Harvard Business School: Small business credit opportunity is compelling

McKinsey: Alternative lenders beat banks

Towers Watson: Multi-strategy execution is superior to a single strategy allocation

Credit Suisse: Fin tech is real

Moody's: More securitizations

The Wall Street Journal: "The Uberization of Finance"

Conning: Greater growth ahead in life settlements

*See appendix page 39 for article information

Enormous and High Growth Market

- **$12 trillion in outstanding U.S. loans, including*:**
  - $843 billion in consumer loans
  - $186 billion in small and medium business loans
  - $832 billion in leveraged business lending
  - $2.35 trillion in commercial real estate debt
  - $1.17 trillion in mortgage originations
  - Over $6.50 trillion in other loans (e.g. securitizations)
- **From these segments, approximately $1.6 trillion is forecasted to move quickly to alternative lenders with annual net profits of $11 billion for investors**
- **Global market in trade finance of $18 billion****
- **Conning estimates a $180 billion life settlement market… "a growing unmet need" and an "increasing opportunity"*****

**Goldman Sachs Global Investment Research*, *Equity Research,* "The Future of Finance Part 1", March 3, 2015
**Oliver Wyman: *The Future of Transaction Banking Volume 2: Trade Finance*
***Conning Research Report - 2014

Portfolio Tradeoffs

Strategy Diversification

Portfolio Balance

- Yield
- Leverage
- Duration
- Collateral
- Liquidity
- Correlation

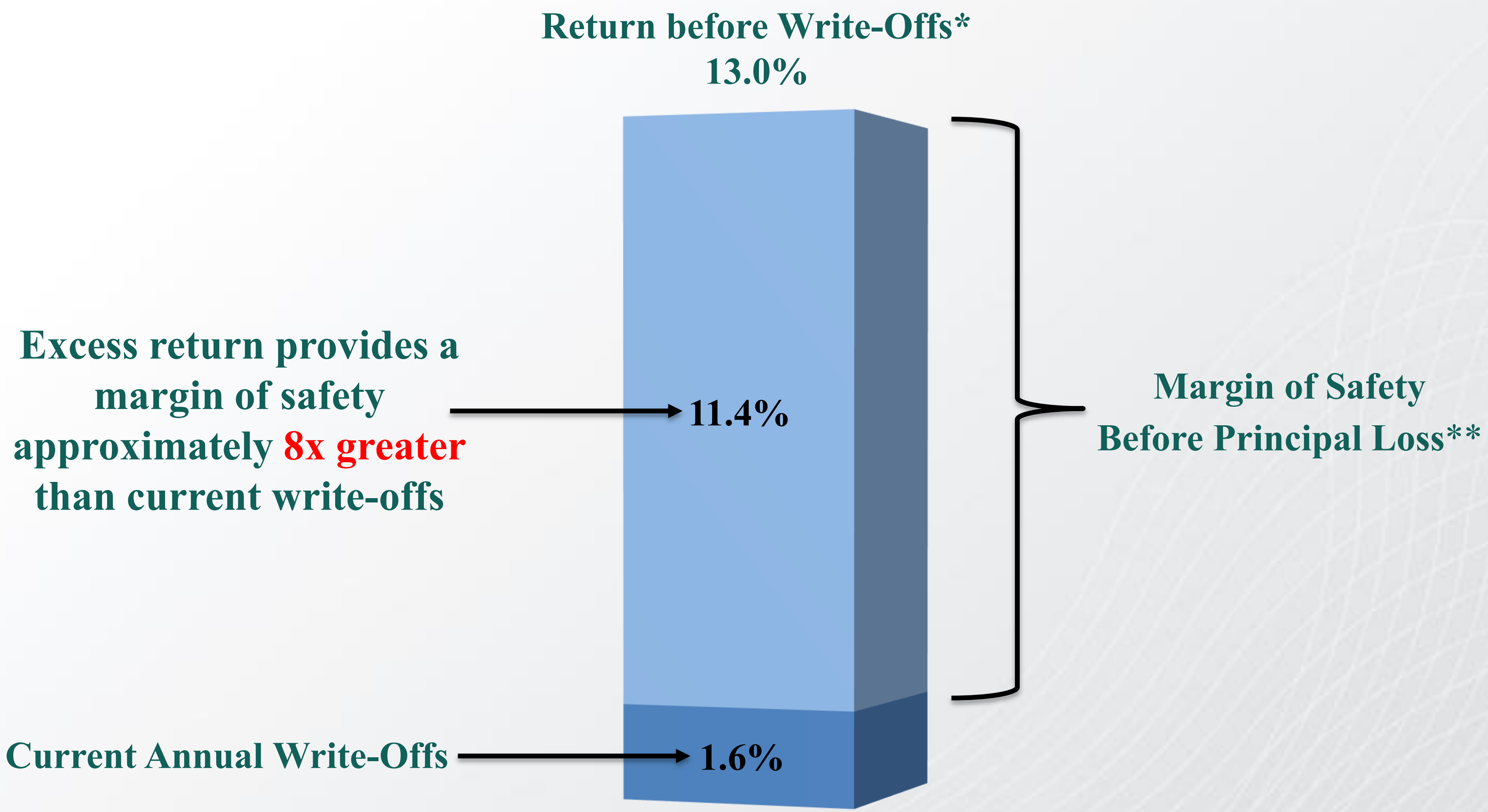
Loan Selection

Self-Selected
vs.
Domain Experts

Strategy Diversification

- **Consumer:** invest in consumer platform ("marketplace") loans and niche lenders
- **Business:** invest in business platform loans and niche lenders
- **Real Estate:** originate private short-term "bridge" financing for commercial, multi-family and residential real estate
- **Trade Finance:** finance the export of raw goods from local suppliers to international importers and related accounts receivable
- **Life Settlements:** acquire unwanted life insurance policies from original policy owners
- **No Student Loans**

Protection From the Unexpected



*Annual return before write-offs less sub-manager operating expenses and management fees.
**Assumes losses are evenly distributed among sub-managers.

Model Portfolio Characteristics

Net Yield*	8.7% annual yield (LTM)
Leverage	7.4%
Duration	19.3 months
Liquidity*	Quarterly, after one-year lockup period
Cash Income	Quarterly income distributions available
Correlation	Low
Sub-Manager	6.8 average years in operation

*Special terms with selected managers

Model Portfolio Operational Assumptions

- **Portfolio Level**
  - $10 million+ required to achieve manager minimums and adequate balance
  - Liquidity must match that of the underlying manager allocations (e.g. lockup period, notification requirements, audit holdback, cash income distribution options)
- **Expense assumptions based on modest scale with delegated management**
  - Operational expenses and fees of 2% per annum

Portfolio Risks

SCENARIO	POSSIBLE OUTCOME	RISK MITIGATION
Economic Crisis – Maturity Extension	Less Liquidity	Short Duration Starting Point
Economic Crisis – Borrower Failures and Asset Depreciation	Higher Write-Offs; Slower and Smaller Recoveries	Significant Rate Buffer/ Low Loan-to-Value Ratios/ 0.02% Average Position Size*
Individual Manager Failure	Return Reduction	Low Sub-Manager Concentration
Increased Competition	Lower Returns	Enormous Market Potential and Returns Exceeding Current Alternatives
Regulatory or Political Actions	Lower Returns	Diversification by Strategy and Sub-Manager

*Portfolio allocation-weighted sub-manager average position size with largest position 1.62%

Meeting the Challenge

- **Compelling yield:** 8% - 10% pro forma annual return
- **Protection from the unexpected:**
  - Rising rates: less than two-year average duration
  - Shock defaults: approximately 8x buffer
- **Liquidity:** quarterly, after lockup period
- **Low correlation to equities and interest rates**
- **Portfolio complement from unique asset diversification:** not dividend paying equities, REITs, MLPs, closed-end funds or traditional bonds
- **Cash income:** quarterly distribution option

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Model Portfolio Track Record

Performance and Risk Analysis, November 2014 – October 2015

(Pro forma based on actual results from underlying managers)

	Portfolio	S&P 500	BIG*
Compound Annual Growth Rate (CAGR)	8.7%	3.0%	2.9%
Sharpe Ratio @ 0%	22.7	0.2	1.0
Annualized Standard Deviation	0.4%	13.8%	2.9%
Max. Drawdown †	0.0%	(8.9%)	(2.1%)
Skew	1.2	0.5	0.7
Kurtosis	2.5	0.4	1.5

CAGR	Portfolio	S&P 500	BIG*
2015 Annualized through October	8.9%	1.1%	1.0%
2014	9.3%	11.4%	5.9%
2013	12.0%	29.6%	(2.0%)
2012	9.9%	13.4%	4.2%

*Citigroup U.S. Broad Investment Grade Bond Index
†In past 10 years, S&P 500 maximum drawdown was (52.6%) and BIG was (5.0%)

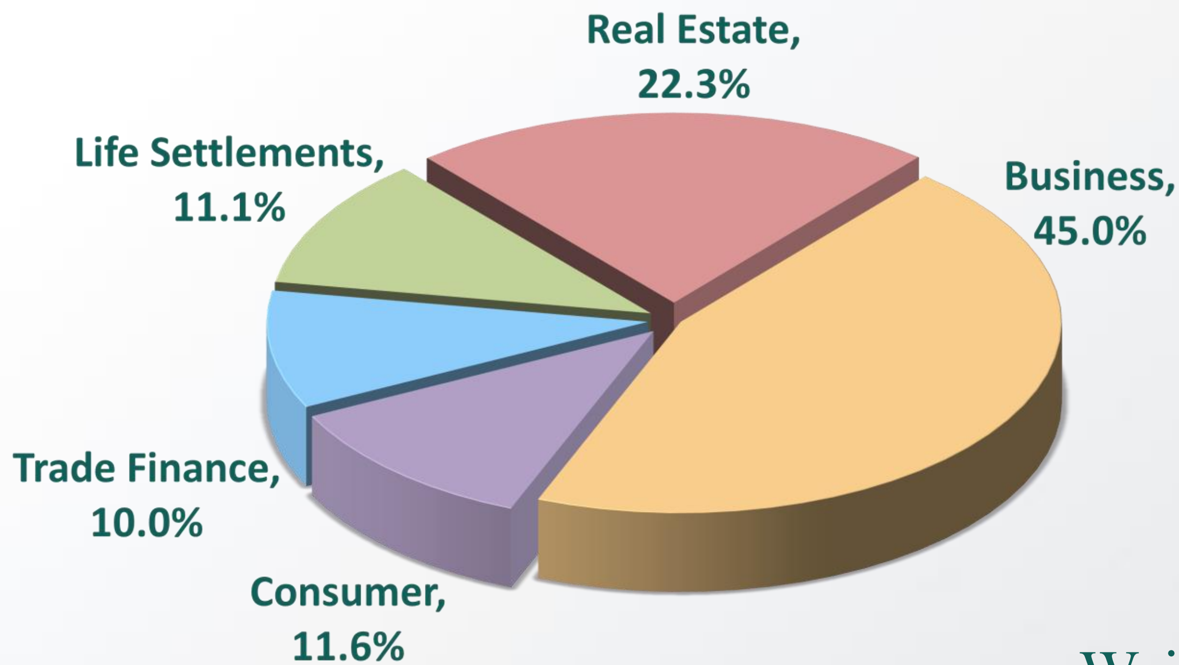
Low Correlation Between Allocations & Indices

Allocation	1	2	3	4	5	6	7	8	9	10	S&P 500	BIG	Model Portfolio
1													
2	0.46												
3	0.47	0.33											
4	0.50	0.26	(0.12)										
5	0.12	(0.52)	0.15	(0.33)									
6	(0.02)	0.48	(0.08)	0.36	(0.35)								
7	(0.05)	0.13	0.08	(0.11)	(0.11)	0.18							
8	0.14	0.41	(0.08)	0.52	(0.48)	0.60	0.08						
9	(0.18)	(0.25)	(0.04)	0.14	0.02	0.09	(0.10)	(0.00)					
10	(0.33)	(0.67)	(0.68)	(0.08)	0.14	(0.20)	(0.27)	(0.29)	0.38				
S&P 500	0.12	(0.10)	0.10	(0.02)	(0.05)	0.05	0.00	0.15	0.13	(0.30)			
BIG	0.30	0.07	(0.13)	0.17	0.03	0.05	0.06	0.30	(0.18)	(0.44)	0.06		
Model Portfolio	0.36	0.33	0.15	0.10	(0.16)	0.16	(0.23)	0.26	(0.00)	(0.29)	0.23	0.02	

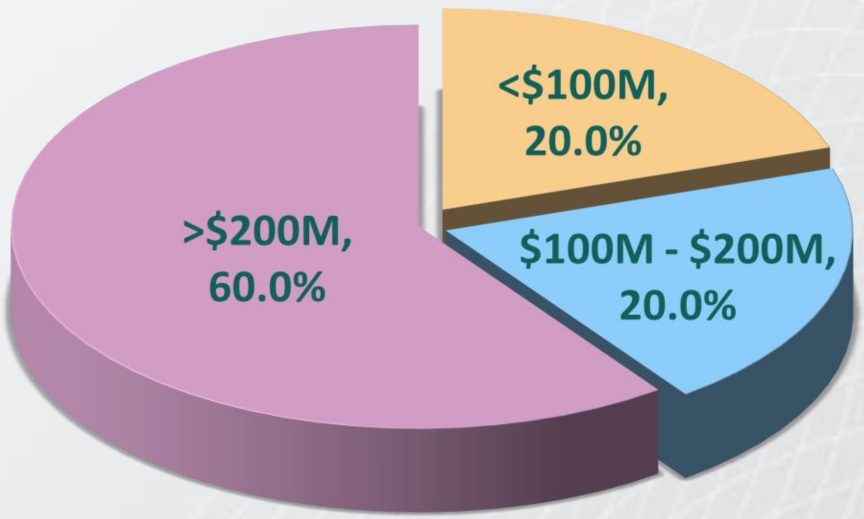
*Spearman's rank correlation. Represents the common time period for all managers from May 2014 through July 2015
**Citigroup U.S. Broad Investment Grade Bond Index

Model Portfolio Allocations

Portfolio Balance



Domain Expert Assets Under Management ("AUM")



Weighted-Average AUM: $200 million
Total AUM: $2 billion
Estimated Capacity: $6 billion

Summary of Sub-Manager Statistics*

#	Manager	Projected Allocation (%)	Experience (Years)	Firm AUM ($MM)	Mgr. Est. Capacity ($MM)	Current Leverage (%)	Projected Leverage (%)	Gross Yield (%)	Net Yield Less Fees & Expenses (%)	Current Write-offs (%)	Average Loan-to-Value (%)	Average Duration (Months)
1	Consumer Lender - Marketplace	10.0	13.4	204	750	40.0	100.0	18.0	12.0	4.5	N/A	12.0
2	Business Lender - Marketplace	10.0	3.1	298	500	0.0	0.0	21.5	20.0	4.9	N/A	11.8
3	Business Lender - Small Public Cos.	10.0	5.3	70	275	0.0	0.0	16.0	10.5	0.0	N/A	9.0
4	Business Lender - Small to Mid-Cap Public Cos.	10.0	5.5	311	450	0.0	0.0	18.0	12.0	5.0	N/A	6.0
5	Business Lender - Small Private Cos.	10.0	9.3	304	1,000	0.0	0.0	18.1	14.9	1.8	55.6	9.8
6	Real Estate Lender - Commercial	10.0	7.0	82	500	0.0	0.0	12.0	10.3	0.0	48.0	15.0
7	Real Estate Lender - Residential	10.0	6.8	134	500	17.0	100.0	11.4	10.1	0.0	53.7	33.0
8	Trade Finance	10.0	6.7	273	400	0.0	0.0	15.5	13.2	0.0	75.0	4.0
9	Life Settlements	10.0	5.5	340	1,000	0.0	0.0	16.3	13.9	0.0	30.0	65.0
10	Multi-Strategy Lender	10.0	5.0	161	500	16.7	25.0	17.0	13.0	0.0	55.0	27.0
	Allocation-weighted Average	**100.0**	**6.8**	**218**	**588**	**7.4**	**22.5**	**16.4**	**13.0**	**1.6**	**52.9**	**19.3**
	Total			**2,177**	**5,875**							

* See notes in Appendix for column heading descriptions

Allocation 1
Consumer Lender - Marketplace

Pedigree/Background

Founder

- Two decades in structured finance
- Head of Asia Program Trading and Index Arbitrage
- Managing Director of Equity Derivatives Trading and Asian Structured Finance

Niche Strategy

- Alpha generation from active selection of high-yield consumer loans from several online marketplaces
- Management of exposure to marketplaces and credit grades gives a strong risk-reward profile
- One of the first lenders to complete a securitization of marketplace loans

Sustainable Competitive Edge

- Leverages relationship with trading technology sister company for best-in-class execution speed
- Maintains marketplace access available only to first movers in the space
- Uses proprietary credit models

Allocation 2
Business Lender - Marketplace

Niche Strategy

- First and largest fund dedicated to acquiring loans from lending platforms focused on financing small businesses
- Fills the gap in financing options created by the recession and new financial regulations
- Short duration loans with highly attractive yields

Pedigree/Background

President and Portfolio Manager

- Served as the CEO of several successful startups
- Led a product team at Ticketmaster
- Frequently cited as a P2P lending expert and appeared in *The Wall Street Journal* and *Fox Business*

Sustainable Competitive Edge

- “First mover” advantage - negotiates favorable or exclusive arrangements with lending platforms
- Expertise in platform evaluation and statistical-based credit analysis
- Relative scale provides deep loan diversification

Allocation 3
Business Lender – Small Public Companies

Niche Strategy

- Finances growing companies in structured fixed-price transactions from a senior position in the capital structure
- Layers a directional warrant or convertible position for upside potential
- The lead investor with control, providing additional downside protection

Pedigree/Background

Co-Founding Partner

- Over 15 years operating large and small publicly traded companies
- Ran operations for a large investment bank Co-Founding Partner
- Over 15 years investing in small- and micro-cap companies and managing investment portfolios

Sustainable Competitive Edge

- Experience in mitigating default and contractual risks through favorable covenants and borrower due diligence
- New entrants require lengthy ramp-up period

Allocation 4

Business Lender – Small- to Mid-Cap Public Companies

Pedigree/Background

Founder

- Two decades in structured finance
- Head of global derivatives trading
- Principal at asset management, brokerage, and investment banking firms
- Co-founder and portfolio manager of investment company

Niche Strategy

- Focuses on high yield, short duration, senior secured revolving credit facilities
- Lends against receivables or hard assets with lock box controls
- Approaches lending from a merchant banking perspective, aligning products with borrowers' interests, increasing opportunities for repeat transactions

Sustainable Competitive Edge

- Substantial barriers to entry due to high level of required expertise
  - Operationally intensive business
  - Long-term relationships
- Limited potential scaling

Allocation 5
Business Lender – Small Private Companies

Pedigree/Background

Founder and Chief Investment Officer

- Head of Proprietary Fixed Income Merchant Banking and Co-Head of Asset-Backed Securities at a major bank
- Head of Financial Institutions Strategy
- Worked in the Fixed Income Resource and Restructuring Group at a major bank

Niche Strategy

- Focuses on first time borrowers who want to remain private
- Lends to cash-generating, asset-rich companies in growth mode to avoid distressed borrowers
- Concentrates on overlooked sectors requiring short-term financing to solve timing and cash flow issues

Sustainable Competitive Edge

- Operates within difficult to navigate sectors which most players have no experience in evaluating
- Identifies opportunities from a network built during 20 years of industry experience

Allocation 6
Real Estate Lender - Commercial

Niche Strategy

- Invests primarily in direct, short-term commercial bridge loans backed by first trust deeds
- Diversified by geography and asset type
- Typically lends to experienced real estate borrowers requiring short-term, rapid commitments for acquisition, stabilization, and repositioning

Pedigree/Background

Co-Founder, Portfolio Manager

- Over 20 years in corporate finance and real estate investment banking
- Transacted $2 billion in real estate transactions

Co-Founder, Principal

- Over 18 years in private investment management and investment banking

Sustainable Competitive Edge

- Expertise in on-the-ground real estate due diligence and structured finance
- Originates transactions through a network of nearly 400 brokers

Allocation 7
Real Estate Lender – Residential

Pedigree/Background

CEO

- Founder of one of the nation's largest hard money lending groups
- Navigated a major mortgage lender through the bankruptcy process and structured a $167 million securitization of home mortgages

Niche Strategy

- Invests primarily in direct, short-term residential bridge loans backed by first trust deeds
- Targets borrowers needing rapid response or having imperfect credit histories
- Focus on hard asset values

Sustainable Competitive Edge

- Managed a portfolio through 2008 and 2009 with double digit returns
- Potential to increase returns through the use of modest leverage

Allocation 8
Trade Finance

Pedigree/Background

Fund Manager

- Built and led a team covering structured commodity finance and commodity trading at a major bank
- Experienced in commodity securitizations
- 15 years' experience in African commodity trading

Niche Strategy

- Finances trade opportunities backed by liquid short-term assets throughout Africa
- Finds dislocated lending markets ignored by traditional lenders due to their inefficient risk assessment methodologies

Sustainable Competitive Edge

- Strategic access to counterparties in over 30 African countries allows geographic diversification
- Over 50 years' combined management experience in African commodity finance

Allocation 9
Life Settlements

Niche Strategy

- Life settlements are uncorrelated to other asset classes and interest rates
- Arbitrages the face value of the life insurance policy versus the sum of the policy purchase price and expected future premium payments
- Sufficient scale

Pedigree/Background

President and CIO

- CEO and Founder of multiple firms
- Eight years in life settlements

Vice President of Portfolio Management

- CEO of a major New York life insurance company's broker-dealer subsidiary
- 16 years in insurance products

Sustainable Competitive Edge

- Low competition in the middle market: the biggest players in the space, such as AIG, Apollo and Fortress, have to compete at large auctions, while smaller players cannot diversify properly
- In-house life settlement provider sources widely diversified policies; fully licensed, and uniquely experienced

Allocation 10
Multi-Strategy Lender

Pedigree/Background

Portfolio Manager

- Partner at a private equity firm with $4 billion in assets under management where he led the financial services practice
- Business development and M&A at a NASDAQ listed tech firm

Niche Strategy

- Invests in various private credit and specialty finance products
- Broadly diversified between both consumer and business lending across multiple niches
  - Real estate tax liens and single family housing, receivables, equipment leases, auto dealer finance, etc.

Sustainable Competitive Edge

- History of success in several asset categories
- Led by experienced investors capable of opportunistically jumping into attractive new sectors
- Special expertise in due diligence, origination, and servicing of unique asset types

Emerging Manager Benefits

- **Smaller/younger funds beat larger/older funds (1995 - 2014) ***
  - Smaller funds consistently outperformed midsize and larger
    - Small and large funds compounded money at 9.0% and 7.32% respectively
  - Larger funds trailed smaller ones during periods of financial stress
    - Young funds in the tenth percentile of assets lost just 0.48% per month to the bigger funds’ 1.28% monthly shortfall in the ‘08/’09 financial crisis
- **Fund selection/due diligence is key****
  - Small funds led when looking at the top 25% of best performers
  - Larger funds in bottom quartile outperformed smaller by more than 10%

*City University Center for Asset Management Research Study, 2015
**PerTrac Study, 2012; Imperial College London Study, 2012

Multi-Manager Fund Advantages

- **Disciplined and replicable process for selection and monitoring of managers**
- **Immediate diversification**
  - Avoids problem of meeting multiple manager minimum requirements
  - Reduces manager-level risk
  - Less volatility
- **Utilize scale to efficiently apply larger allocations to an asset class without "timing" concerns of any one manager**
- **Simplified tax and accounting (single manager versus many separate managers)**

Shinnecock Partners
Established 1988

- **An alternative asset management firm**

  Multi-strategy fund of funds – launched April 1989

  Futures fund of funds – launched April 1993

  Private equity funds – launched June 2012 and November 2014

  Niche-based fund of funds – launched August 2013

  Income fund of funds – launched January 2016

- **Started as a "friends and family" private office and now its offerings are available to other investors**

- **Shinnecock Futures Fund named Best Managed Futures CTA Fund in North America by *World Finance* magazine in 2011**

Scalable & Credible Organization

- **26-year track record of successfully identifying talented and experienced money managers**
- **Rigorous due diligence process**
- **High quality service providers: Deloitte & Touche (auditor), SS&C (administrator), and First Republic (cash custodian)**
- **Professional staff of six people**
- **Dedicated and longstanding principals with deep experience**
  - 25-year+ history together
  - Largest investors in funds
  - Deep domain knowledge

Shinnecock Value Add

Manager Selection

Identify the best
and the brightest

- 65,000 potential universe
- Due diligence - 315 questions
- Quantitative evaluation of 160 variables
- Third party investigation

Portfolio Construction

Balanced allocation

- Analytics:
  - Efficient frontier
  - Omega
  - Delta
- Stress testing

Ongoing Management

Manage portfolio through
time and events

- Normative behavior
- Assets under management tracking
- Peer group comparison

Administration: reporting, portfolio and investor accounting, one K-1

Experienced Management Team

- **Alan Snyder – Founder/Principal**

  Alan Snyder founded Shinnecock Partners in 1988 and serves as its Managing Partner. Alan spent 14 years at Dean Witter (renamed Morgan Stanley) and finished his career there as an Executive Vice President, Board Member and Executive Committee Member. He formulated the launch of the Discover Card as member of three-person management team. Subsequently, he restructured First Executive/Executive Life, a $20 billion life holding company including $1.5 billion alternatives portfolio, as President and Chief Operating Officer. He was later appointed as Executive-in-Charge by the California State Insurance Commissioner. He has served as a special advisor to Kelso Partners and Goldman Sachs. He founded and was Chairman, President and CEO of Answer Financial, which became the largest independent seller of auto and home insurance in the U.S. Answer was sold to Esurance, who sought its technology and third-party distribution and was more recently purchased by Allstate. Alan is a graduate of Harvard Business School (Baker Scholar, MBA) and Georgetown University (Wall Street Journal Scholar, BSBA). He serves as Chairman of the Western Los Angeles County Council of the Boys Scouts of America.

- **Joel Parrish - Principal**

  Joel Parrish heads the accounting, investor relations, and day-to-day operational demands at Shinnecock. He has created custom software applications and works with Alan to manage the Fund's portfolio in the evaluation, selection, weighting, and monitoring of Sub-Managers. Joel joined Shinnecock Partners full-time in 1998. He is registered with the NFA as a Principal and Associated Person, and holds a Series 3 license. He began working with Shinnecock Partners in 1992 as a consultant, creating proprietary computer software dedicated to portfolio modeling and the comparative evaluation of money managers. Joel traded a private futures account from 1994 to 2003, for which he researched, developed and implemented a number of computerized trading systems. He earned both Bachelor of Arts and Associate of Arts degrees from Columbia College.

Experienced Management Team (cont.)

- **Kevin Zvargulis, CFA – Senior Associate**

  Kevin provides investor relations support and works with the firm's principals in money manager analysis, selection and monitoring. Prior to joining Shinnecock, Kevin served as Investor Relations Manager at Arixa Capital Advisors and was responsible for business development, investor communications and selected operational functions. Kevin contributed to the firm's growth from $2.5 MM in 2011 to $105 MM in 2015. Prior to Arixa, Kevin worked as an investment analyst with The Swarthmore Group. He is a graduate of Davidson College and Temple University, where he obtained an MBA/MS in Finance. Kevin is a CFA charter holder.

- **Christian Williams – Analyst**

  Christian Williams assists the principals with operations and financial analysis. His responsibilities include money manager monitoring, portfolio review, assisting with marketing, quantitative evaluation of prospective money managers, due diligence and operations. Christian is a graduate of Boston College, and is currently pursuing his Series 3 and Chartered Alternative Investment Analyst designation.

Experienced Management Team (cont.)

- **Kim Clements – Office Manager**

  Kim Clements assists the principals with investor relations. Previously, she was an independent strategic/financial business consultant and multimedia specialist with experience in broadcast, digital, and print media. She holds an MBA from California State University, Los Angeles and serves on the Board of Directors for the Alumni Association after serving two years on the Financial Oversight Committee.

- **Jennifer Laughlin – Admin & Sales Support**

  Jennifer Laughlin joined Shinnecock in 2008 and provides administrative and sales support to the principals. Prior to Shinnecock, she worked on the Equity Sales desk at UBS and the Equity Trading Desk at Alliance Capital (now Alliance Bernstein). Past experience also includes investor relations and sales/event marketing. Jennifer is a graduate of Denison University and The London School of Economics.

Third-Party Article Titles and Dates Published

- Goldman Sachs, "The Future of Finance": March 2015
- Financial Stability Board, "Global Shadow Banking Monitoring Report 2015": November 2015
- Morgan Stanley, "Global Marketplace Lending": May 2015
- Harvard Business School, "The State of Small Business Lending": July 2014
- McKinsey, "The Fight for the Customer: McKinsey Global Banking Annual Review 2015"
- Towers Watson, "Alternative Credit Perspectives": September 2015
- Credit Suisse, "Online Finance Trends": November 2015
- Moody's, "2016 Global Outlook": December 2015
- Wall Street Journal, "The Uberization of Finance": November 2015
- Conning, "Life Settlements: Growing Unmet Need, Increasing Opportunity": 2014

Notes

We provide various indices as proxies for certain sectors of the broader markets. An unmanaged index does not represent the return available from any particular investment as there is no consideration of the costs that would be incurred to achieve the results, e.g. transaction fees, bid/ask spreads, administrative and management expenses, etc.

Strategy Definitions

"Consumer" loans are generally unsecured loans to consumers, often made through an online lending platform, and typically used for debt consolidation and refinancing. This strategy may also include secured lending (e.g., tax lien loans) and non-performing (delinquent) consumer debt that is purchased in pools for a substantial discount off face value.

"Business" loans are typically senior-secured small business loans made by alternative lending institutions. Sub-categories may include, without limitation, PIPEs (Private Investment in Public Equities), equipment leasing (secured by the leased equipment), receivables finance (secured by inventory) and medical receivables (loans advanced for medical care related to personal injury settlements).

"Real Estate" loans are made by private lenders, secured by the underlying property. The borrower benefits from an easier application and approval process, faster closing and availability of loan types and amounts that may not be offered by traditional banks. Lenders benefit from relatively high interest rates, a short loan term and a relatively low loan-to-value ratio.

"Trade Finance" primarily involves financing transactions between importers and exporters of goods. Trade Finance helps settle the conflicting needs of the importer (supply risk) and exporter (payment risk). Loans are very short-term in nature and secured by the assets being delivered.

"Life Settlements" are the sale of a life insurance policy by the original owner to a third party for more than the cash surrender value but less than the face value. The third party becomes responsible for the payment of premiums, and receives the death benefit upon the passing of the insured.

Notes (cont.)

Sub-Manager Statistic Definitions

"Duration" is the weighted-average time until principal repayment. Consideration is given to amortization of principal, interest received and any prepayments.

"Loan-to-Value" (LTV) is the ratio of a loan amount to the value of the underlying asset or collateral securing the loan. For example, a $250,000 mortgage loan secured by a property valued at $500,000 would have a loan-to-value of 50%.

"Annual Return before Write-offs less Sub-Manager Expenses" is the allocation-weighted compound annual growth rate of the Initial Sub-Managers after fees and expenses but before incentive fees and deductions for loan write-offs.

"Current Annual Write-offs" is the allocation-weighted average of Initial Sub-Manager current loan default rates, net of recoveries.

"Excess Annual Return for Principal Break-even Protection" is the theoretical allocation-weighted average amount of excess positive return over current write-offs (net of recoveries) available to cover additional write-offs (net of recoveries). This is an aggregate calculation and does not account for any variation between Initial Sub-Managers, i.e., assumes that each Initial Sub-Manager would experience an equal rate of return, write-offs and recoveries.

Performance Statistic Definitions and Notes

"Compound Annual Growth Rate" (CAGR) is the annual return that an investment would have realized over the specified period had the investment grown at a consistent interest rate for the duration of such period.

"Max. Drawdown" means the largest peak-to-valley decline experienced by the specified strategy, i.e., the greatest cumulative percentage decline in month-end net asset value due to losses sustained in any period in which the initial month-end value is not equaled or exceeded by a subsequent month-end net asset value.

"Standard Deviation" is a measure of how dispersed returns are from their average (a lower number indicates less volatility).

Notes (cont.)

“Sharpe Ratio” is a measure of the return earned in excess of the risk-free rate, relative to the risk. Monthly Sharpe Ratio is calculated as the average monthly return minus the risk-free rate, divided by the standard deviation of returns. Annualized Sharpe Ratio is calculated by multiplying the monthly Sharpe Ratio by the square root of 12. The higher the value of this indicator, the greater the quality of the returns on a risk/reward basis. This presentation presents sharpe ratios using a risk-free rate of 0%.

“Skew” (Skewness) measures the symmetry of a return distribution around its average. A skew of zero would indicate a perfectly symmetrical distribution, such as the standard bell curve. Positive skew is more favorable because it indicates the greater likelihood of positive returns.

“Kurtosis” is the measure of the width of the peak of a return distribution as compared to a normal distribution (which has a kurtosis of 3). Positive excess kurtosis (above 3) indicates thicker “tails” and a more peaked distribution whereas negative excess kurtosis (below 3) indicates flatter “tails” and a flatter peak. When comparing the kurtosis of two return distributions, higher kurtosis is considered more favorable as it indicates less variability of returns from the average.

The Standard & Poor's 500 (S&P 500) is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

The Citigroup U.S. Broad Investment Grade Bond Index (BIG) measures the value of the broad U.S. investment-grade bond market, including Treasury, government agency, corporate and mortgage-backed securities. All bonds in the index must be rated at least BBB- or Baa3, have a maturity of at least one year, and a total value outstanding of at least $200 million.